

**Addendum to Explanatory Memorandum
Contractors Bonding and Insurance Company (NAIC 37206)
COVID-19 Premium Refunds, Credits, and Reduction Report**

Explanatory Memorandum – Section I

2a. Please provide your explanation describing the types or risk exposures that are not subject to refund.

Contractors Bonding and Insurance Company's (CBIC) review determined that no refunds are necessary in certain lines of business or types of policies. In these lines of business and types of policies, CBIC has determined that the measure of risk is not substantially overstated and has, in fact, increased for certain lines.

- Businessowners: Rating factors for determination of premium include zip codes, business class, and property value limits. This product line does not consider factors that could have been affected by COVID-19, including annual revenues or the number of shows an insured attends. The risks insured by this product line are not "storefronts" where customers visit the premises.

Explanatory Memorandum – Section II

2b: If your company writes in one of the lines specified in Bulletin 2020-3 and has issued refunds for your policyholders please explain all actions taken to date to refund premium in response to or consistent with this Bulletin.

None taken. See answers to #4 and #5 for future actions to be taken.

4, 5: How did your company accomplish its refund to policyholders? Explain which of the following method(s) your company used to compute the premium refund. If the response differs by program within line of insurance, provide additional explanation for the remaining programs.

Given the diverse nature of the businesses CBIC writes, a one-size fits all solution was deemed not appropriate or fair to apply to the balance of our books of business. After a review of all of lines of business, including the lines of insurance identified in Bulletin 2020-3, CBIC has determined that certain lines of businesses may have overstated exposures as a result of the COVID-19 pandemic, but that other lines of business have not had a change or an increase in exposure. CBIC has decided to apply either a resurvey approach or a uniform premium reduction, depending on the product.

The product lines for which we will resurvey policyholders include General Liability and Package Liability. These product lines are appropriate for resurvey because the rating factors that typically relate to these products can be affected by the COVID-19 pandemic. CBIC will send notices to those potentially affected policyholders to begin reassessing the classification and exposure bases of affected risks on a case-by-case basis by asking for information on payroll and gross receipts depending on the product. In conjunction with the above, CBIC will also notify all producers of such policyholders of our plans. Upon receipt of resurvey information from each affected policyholder, CBIC will assess the revised information to determine if a premium refund should be issued, and in what amount, according to the underwriting rating guidelines for the particular product line. It should be noted that certain policies being resurveyed may contain a minimum premium requirement. If the resurvey results in a premium lower than the minimum premium amount, the minimum premium will apply and any premium refund will be adjusted accordingly. CBIC also believes that

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this resurvey approach does not require a revised filing with California as it is a reassessment of risks and exposure bases for any overstated risks.

CBIC will also be applying a uniform premium reduction to certain Commercial Auto Liability policies contained as part of package policies. While this portion of the package policy is based on factors not affected by the COVID-19 pandemic, CBIC does feel that there was a reduction in liability. As such, CBIC will be providing a uniform 15% premium reduction for premiums applicable to March, April, and May. This will apply to all policyholders for these product lines. Premium reductions will be issued in the form of a premium refund check or credit to the producer's statement to be returned to the policyholder by the producer.

Reporting Requirements

Reporting requirements related to monthly and overall totals will be updated monthly and at the conclusion of the premium refund process. Information regarding the Commercial Auto premium reporting is included in the spreadsheet submitted.

Because CBIC will be relying on information provided by policyholders to determine any potential premium relief for products where a resurvey is being conducted, CBIC cannot, at this time, provide any monthly and overall totals regarding the specifically requested items as contained in Bulletin 2020-3.